FRABELLE FISHING CORPORATION, PETITIONER, VS. THE PHILIPPINE AMERICAN LIFE INSURANCE COMPANY, PHILAM PROPERTIES CORPORATION AND PERF REALTY CORPORATION, RESPONDENTS.

G.R. No. 158560. August 17, 2007

Ponente: SANDOVAL-GUTIERREZ, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-158560/

SANDOVAL-GUTIERREZ, J.:

Before us is the instant Petition for Review on Certiorari under Rule 45 of the 1997 Rules of Civil Procedure, as amended, assailing the Decision[1] and Resolution of the Court of Appeals dated December 2, 2002 and May 30, 2003, respectively, in CA-G.R. SP No. 71389.

The facts are:

Philam Properties Corporation, Philippine American Life Insurance Company, and PERF Realty Corporation, herein respondents, are all corporations duly organized and existing under Philippine laws.

On May 8, 1996, respondents entered into a Memorandum of Agreement (1996 MOA)[2] whereby each agreed to contribute cash, property, and services for the construction and development of Philamlife Tower, a 45-storey office condominium along Paseo de Roxas, Makati City.

On December 6, 1996, respondents executed a Deed of Assignment (1996 DOA)[3] wherein they assigned to Frabelle Properties Corporation (Frabelle) their rights and obligations under the 1996 MOA with respect to the construction, development, and subsequent ownership of Unit No. 38-B located at the 38th floor of Philamlife Tower. The parties also stipulated that the assignee shall be deemed as a co-developer of the construction project with respect to Unit No. 38-B.[4]

Frabelle, in turn, assigned to Frabelle Fishing Corporation (Frabelle Fishing), petitioner herein, its rights, obligations and interests over Unit No. 38-B.

On March 9, 1998, petitioner Frabelle Fishing and respondents executed a Memorandum of Agreement (1998 MOA)[5] to fund the construction of designated office floors in Philamlife Tower.

The dispute between the parties started when petitioner found material concealment on the part of respondents regarding certain details in the 1996 DOA and 1998 MOA and their gross violation of their contractual obligations as condominium developers. These violations are: (a) the non-construction of a partition wall between Unit No. 38-B and the rest of the floor area; and (b) the reduction of the net usable floor area from four hundred sixty eight (468) square meters to only three hundred fifteen (315) square meters.

Dissatisfied with its existing arrangement with respondents, petitioner, on October 22, 2001, referred the matter to the Philippine Dispute Resolution Center, Inc. (PDRCI) for arbitration.[6] However, in a letter[7] dated November 7, 2001, respondents manifested their refusal to submit to PDRCI's jurisdiction.

On February 11, 2002, petitioner filed with the Housing and Land Use Regulatory Board (HLURB), Expanded National Capital Region Field Office a complaint[8] for reformation of instrument, specific performance and damages against respondents, docketed as HLURB Case No. REM-021102-11791. Petitioner alleged, among others, that the contracts do not reflect the true intention of the parties; and that it is a mere buyer and not co-developer and/or co-owner of the condominium unit.

After considering their respective memoranda, HLURB Arbiter Atty. Dunstan T. San Vicente, with the approval of HLURB Regional Director Jesse A. Obligacion, issued an Order[9] dated May 14, 2002, the dispositive portion of which reads:

> Accordingly, respondents' plea for the outright dismissal of the present case is denied. Set the initial preliminary hearing of this case on June 25, 2002 at 10:00 A.M.
>
> IT IS SO ORDERED.

Respondents then filed with the Court of Appeals a petition for prohibition with prayer for the issuance of a temporary restraining order and/or writ of preliminary injunction,[10] docketed as CA-G.R. SP No. 71389. Petitioner claimed, among others, that the HLURB has no jurisdiction over the subject matter of the controversy and that the contracts between the parties provide for compulsory arbitration.

On December 2, 2002, the Court of Appeals rendered its Decision[11] granting the petition, thus:

> WHEREFORE, premises considered, the petition is GRANTED. Public respondents Atty. Dunstan San Vicente and Jesse A. Obligacion of the Housing and Land Use Regulatory Board, Expanded National Capital Region Field Office are hereby permanently ENJOINED and PROHIBITED from further proceeding with and acting on HLURB Case No. REM-021102-11791. The order of May 14, 2002 is hereby SET ASIDE and the complaint is DISMISSED.
>
> SO ORDERED.

In dismissing petitioner's complaint, the Court of Appeals held that the HLURB has no jurisdiction over an action for reformation of contracts. The jurisdiction lies with the Regional Trial Court.

Forthwith, petitioner filed a motion for reconsideration[12] but it was denied by the appellate court in its Resolution[13] dated May 30, 2003.

Hence, the instant petition for review on certiorari.

The issues for our resolution are: (1) whether the HLURB has jurisdiction over the complaint for reformation of instruments, specific performance and damages; and (2) whether the parties should initially resort to arbitration.

The petition lacks merit.

As the records show, the complaint filed by petitioner with the HLURB is one for reformation of instruments. Petitioner claimed that the terms of the contract are not clear and prayed that they should be reformed to reflect the true stipulations of the parties. Petitioner prayed:

> WHEREFORE, in view of all the foregoing, it is respectfully prayed of this Honorable Office that after due notice and hearing, a judgment be please rendered:
>
> - Declaring that the instruments executed by the complainant FRABELLE and respondent PHILAM to have been in fact a Contract to Sell. The parties are thereby governed by the provisions of P.D. 957 entitled, "Regulating the Sale of Subdivision Lots and Condominiums, Providing Penalties for Violations Thereof" as buyer and developer, respectively, of a condominium unit and not as co-developer and/or co-owner of the

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

same;

x x x (Emphasis supplied)

We hold that being an action for reformation of instruments, petitioner's complaint necessarily falls under the jurisdiction of the Regional Trial Court pursuant to Section 1, Rule 63 of the 1997 Rules of Civil Procedure, as amended, which provides:

> SECTION 1. Who may file petition. - Any person interested under a deed, will, contract or other written instrument, whose rights are affected by a statute, executive order or regulation, ordinance, or any other governmental regulation may, before breach or violation thereof, bring an action in the appropriate Regional Trial Court to determine any question of construction or validity arising, and for a declaration of his rights or duties thereunder.
>
> An action for the reformation of an instrument, to quiet title to real property or remove clouds therefrom, or to consolidate ownership under Article 1607 of the Civil Code, may be brought under this Rule. (Emphasis ours)

As correctly held by the Court of Appeals, any disagreement as to the nature of the parties' relationship which would require first an amendment or reformation of their contract is an issue which the courts may and can resolve without the need of the expertise and specialized knowledge of the HLURB.

With regard to the second and last issue, paragraph 4.2 of the 1998 MOA mandates that any dispute between or among the parties "shall finally be settled by arbitration conducted in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce."[14] Petitioner referred the dispute to the PDRCI but respondents refused to submit to its jurisdiction.

It bears stressing that such arbitration agreement is the law between the parties. They are, therefore, expected to abide by it in good faith.[15]

This Court has previously held that arbitration is one of the alternative methods of dispute resolution that is now rightfully vaunted as "the wave of the future" in international relations, and is recognized worldwide. To brush aside a contractual agreement calling for arbitration in case of disagreement between the parties would therefore be a step backward.[16]

WHEREFORE, we DENY the petition. The challenged Decision and Resolution of the Court of Appeals in CA-G.R. SP No. 71389 are AFFIRMED.

Costs against petitioner.

SO ORDERED.

Puno, C.J., (Chairperson), Corona, Azcuna, and Garcia, JJ., concur.

---

[1] Penned by Associate Justice Remedios A. Salazar-Fernando and concurred in by Associate Justice Ruben T. Reyes (now a member of this Court) and Associate Justice Edgardo F. Sundiam.

[2] Annex "1" of the petition, rollo, pp. 207-215.

[3] Annex "2" of the petition, id., pp. 216-223.

[4] Paragraph 2 of the 1996 DOA reads, ""Upon the effectivity and subject to the stipulations of this Assignment, the Assignee shall be deemed as a co-developer of the Project to the extent of the Assigned Office Space and Assigned Slots, and in such capacity shall have all the rights and obligations of a co-developer under the MOA,

including but not limited to the obligation of providing funds to finance the cost of construction of the Assigned Office Space and Assigned Slots, and the right of receiving the Assigned Office Space and Assigned Slots upon completion of construction thereof."

[5] Annex "3" of the petition, rollo, pp. 224-243.

[6] Id., pp. 314-318.

[7] Id., p. 319.

[8] Annex "A" of the petition, id., pp. 36-50.

[9] Annex "G" of the petition, id., pp. 179-183.

[10] Annex "H" of the petition, id., pp. 184-211.

[11] Annex "K" of the petition, id., pp. 260-270.

[12] Annex "L" of the petition, id., pp. 271-289.

[13] Id., pp. 293-294.

[14] Annex "3," supra at 228.

[15] Fiesta World Mall Corporation v. Linberg Philippines, Inc., G.R. No. 152471, August 18, 2006, 499 SCRA 332, 338, citing LM Power Engineering Corporation v. Capitol Industrial Construction Groups, Inc., 399 SCRA 562 (2003).

[16] Sea-Land Service, Inc. v. Court of Appeals, G.R. No. 126212, March 2, 2000, 327 SCRA 135, citing BF Corporation v. Court of Appeals, 288 SCRA 267, 286 (1998).

Turn this case into an audio lecture - facts, issues, ruling and doctrine - at batas.org

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at https://batas.org

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.